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July 25, 2005

By Courier and E-File

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> floor  
Boston, MA 02202

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed please find a corrected page 1 of 19 for the pre-filed testimony of Lawrence R. Kaufmann, Exhibit BSG/LRK-1.

Dr. Kaufmann made the correction at the hearing held on July 8, 2005 (Tr. 673), and the corrected page was distributed to parties in the hearing room at that time. The corrected adds lines 25 and 26 to page 1 of 19 which were inadvertently omitted on the original page 1 of 19.

Very truly yours,

Robert L. Dewees, Jr.

RLD/tlm  
Enclosure

cc: Caroline O'Brien Bulger, Esq., Hearing Officer  
A. John Sullivan, DTE (7 copies)  
Andreas Thanos, Assistant Director, Gas Division  
Alexander J. Cochis, Assistant Attorney General (4 copies)  
Paul R. Osborne, Assistant Director, Rates and Revenue Requirements Division  
Service List

BOS1512792.1

1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Lawrence R. Kaufmann. My business address is 22 East Mifflin, Suite 302,  
4 Madison, WI, 53705.

5 **Q. WHAT IS YOUR POSITION AND WHAT ARE YOUR RESPONSIBILITIES?**

6 A. I am a Partner at Pacific Economics Group LLC ("PEG"). My work includes designing  
7 and providing empirical support on performance-based regulation ("PBR") plans for  
8 energy utility clients. My specific duties include designing regulatory plans that create  
9 strong performance incentives, supervising research on the productivity and input price  
10 trends of utility industries, benchmarking utility cost performance, and expert witness  
11 testimony. I have been involved in PBR-related projects for a large number of gas and  
12 electric utility clients.

13 **Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?**

14 A. Prior to co-founding the Madison office of PEG in 1998, I was employed from 1993  
15 until 1998 as a Senior Economist at Christensen Associates, an economic consulting firm  
16 based in Madison. I received a PhD in Economics from the University of Wisconsin in  
17 1993.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE DEPARTMENT OF**  
19 **TELECOMMUNICATIONS AND ENERGY?**

20 A. Yes. I filed both direct and rebuttal testimony on the PBR plan proposed by Boston Gas  
21 Company in DTE 03-40. I also co-authored a report that was attached to testimony on  
22 service quality PBR in Massachusetts (DTE 99-84) and testified before the Department  
23 in that proceeding.

24 **Q. HAVE YOU TESTIFIED BEFORE OTHER COMMISSIONS?**

25 A. Yes. I have filed testimony on PBR issues in Rhode Island, Kansas, Hawaii, Oklahoma,  
26 and Kentucky. I have co-authored reports that were attached to PBR testimony in